



Auditor of Public Accounts  
Adam H. Edelen

**FOR IMMEDIATE RELEASE**

**Contact: Stephenie Steitzer**  
[stephenie.steitzer@auditor.ky.gov](mailto:stephenie.steitzer@auditor.ky.gov)  
**502.564.5841**  
**513.289.7667**

**Edelen Releases Audit of Wolfe County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Adam Edelen has released the audit of the financial statements of the Wolfe County Fiscal Court for the fiscal year ended June 30, 2011. State law requires annual audits of county fiscal courts.

The audit found that the county's financial statements, in all material respects, fairly present the county's assets, liabilities, and net assets arising from cash transactions and revenues received and expenditures paid in conformity with the modified cash basis of accounting.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

- **The fiscal court lacks adequate segregation of duties.** This is a repeat finding from the prior year. A lack of adequate segregation of duties exists over receipts and payroll preparation. The finance officer receives all receipts, makes deposits, and posts to the receipts ledger. The finance officer prepares all payroll reports, prepares checks to transfer monies from the county's funds into the payroll revolving account, and posts the payroll expenditures to the appropriations ledger. Also, the finance officer is the only person who signs paychecks and reconciles all bank accounts, including payroll account.

Segregation of duties over receipts and payroll preparation or implementation of compensating controls when limited by staff size is essential for providing protection from inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the fiscal court segregate the duties of receipts and payroll preparation or implement compensating controls to provide oversight to the employees responsible for these duties. The employee providing this oversight should document his or her review by initialing source documents. Examples of compensating controls are:

- A person independent of cash receipts, such as the county judge-executive, recount the daily deposit and agree with daily receipt documentation.
- An independent person should compare the Fiscal court approvals to invoices and cancelled checks. This person should not prepare checks.
- A person independent of payroll preparation review the payroll reports and supporting documentation.
- A person independent of cash receipts and disbursements reviews the bank reconciliation prepared by the finance officer.
- An independent person prepares the bank reconciliation.
- An independent person receives the unopened bank statement and reviews for unusual items before it is given to reconciler.

*County Judge/Executive Dennis Brook's response: We have changed policies to meet compliance.*

- **The fiscal court should limit expenditures for the first half of each fourth year.** During our audit we discovered that the fiscal court expended or encumbered more than 96 percent of the county's budget for the solid waste fund and more than 73 percent of the county's budget for the search and rescue fund during the first half of the fiscal year. KRS 68.310 states that no county shall, during the first half of any fourth fiscal year, beginning with the fiscal year 1998-1999, encumber or expend more than 65 percent in any fund budgeted for that fiscal year.

We recommend in the future the fiscal court monitor expenditures and encumbrances in order to comply with KRS 68.310.

*County Judge/Executive Dennis Brook's response: I was not the judge at this time, but I will watch closely.*

This report, in its entirety, can be accessed on the Internet at the following site: [here](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.*

*For more information, visit [auditor.ky.gov](http://auditor.ky.gov) and follow Auditor Edelen on Twitter @AuditorKY, [facebook.com/AuditorKY](https://facebook.com/AuditorKY) and [youtube.com/AuditorKY](https://youtube.com/AuditorKY).*